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Counsel to the Debtors and  
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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - X  
In re: : Chapter 11  
:  
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)  
et al., :  
:  
Debtors. : Jointly Administered  
- - - - - X

**FOURTH INTERIM FEE APPLICATION OF SKADDEN, ARPS, SLATE,  
MEAGHER & FLOM LLP FOR COMPENSATION FOR SERVICES  
RENDERED AND REIMBURSEMENT OF EXPENSES AS COUNSEL TO THE  
DEBTORS FOR THE PERIOD FROM AUGUST 1, 2009 THROUGH AND  
INCLUDING OCTOBER 31, 2009**

Name of Applicant: Skadden, Arps, Slate, Meagher & Flom  
LLP

Authorized to provide professional services to: Circuit  
City Stores, Inc., et al.

Date of retention: effective November 10, 2008

Period for which compensation and reimbursement are sought: August 1, 2009 through and including October 31, 2009

Amount of compensation sought as actual, reasonable, and necessary: \$1,795,574

Amount of expense reimbursement sought as actual, reasonable, and necessary: \$74,623

This is a/an: ☐ monthly ☒ interim ☐ final application.

The Application does not request compensation at this time for services rendered in preparing this Application. The Applicant intends to seek such compensation at a later date.

**COMPENSATION BY PROFESSIONAL PERSON  
SKADDEN, ARPS SLATE, MEAGHER & FLOM LLP  
AUGUST 1, 2009 - OCTOBER 31, 2009**

<u>NAME</u>	<u>YEAR OF ADMISSION</u>	<u>RATE</u>	<u>HOURS</u>	<u>AMOUNT</u>
<b><u>PARTNER</u></b>				
Jody J. Brewster	1983	\$945	46.6	\$44,037
Chris L. Dickerson	1998	\$834	101.9	\$84,964
John P. Furfaro	1980	\$945	14	\$13,230
Gregg M. Galardi	1990	\$945	125.8	\$118,887
Fred T. Goldberg, Jr.	1973	\$995	8.1	\$8,060
Andre LeDuc	1978	\$945	35.5	\$33,548
David F. Levy	1995	\$775	26.3	\$20,383
<b>TOTAL PARTNER</b>			315.7	\$282,162
<b><u>COUNSEL</u></b>				
David A. Schneider	1986	\$775	20.6	\$15,965
<b>TOTAL COUNSEL</b>			20.6	\$15,965
<b><u>ASSOCIATE</u></b>				
Sarah K. Baker	2006	\$524	650.3	\$340,864
Pamela S. Dangelo	2008	\$460	168.2	\$77,372
Folarin S. Dosunmu	2004	\$614	154.1	\$94,598
Ian S. Fredericks	2003	\$612	515.9	\$315,619
Kellan Grant	2000	\$625	10.6	\$6,626
Caroline J. Honorowski	2008	\$460	7.5	\$3,450
Christine W. Kim	2009	\$433	65.6	\$28,434
Candice Korkis	2009	\$395	174.3	\$68,849
Jessica S. Kumar	2007	\$471	302.7	\$142,526
Kelly A. Lazaroff	2008	\$429	227.8	\$97,737
Jason M. Liberi	2003	\$645	345.9	\$223,011
Betrand Pan	2004	\$540	11.4	\$6,156
Sarah E. Ralph	2003	\$468	22.0	\$10,302
Risa M. Salins	2001	\$680	43.1	\$29,308
<b>TOTAL ASSOCIATE</b>			2699.4	\$1,444,852

<u>NAME</u>	<u>YEAR OF ADMISSION</u>	<u>RATE</u>	<u>HOURS</u>	<u>AMOUNT</u>
<b><u>PARAPROFESSIONALS</u></b>				
Christopher M. Heaney		\$295	133.3	\$39,326
Wendy K. LaManna		\$295	40.2	\$11,861
A. Kaitlin Zylich		\$220	6.4	\$118
<b>TOTAL PARAPROFESSIONALS</b>			179.9	\$52,595
		<b>TOTAL</b>	<b>3215.6</b>	<b>\$1,795,574</b>
<b>BLENDED HOURLY RATE</b>				<b>\$558</b>

**COMPENSATION BY PROJECT CATEGORY  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP  
AUGUST 1, 2009 - OCTOBER 31, 2009**

<b>Project Category</b>	<b>Total Hours</b>	<b>Total Fees</b>
General Corporate Advice	9.2	\$7,087
Asset Analysis and Recovery	40	\$26,162
Assets Dispositions (General)	113.2	\$63,015
Asset Dispositions (Real Property)	56.8	\$30,481
Automatic Stay (Relief Action)	8.1	\$3,146
Case Administration	184.7	\$79,704
Claims Admin (General)	1512.3	\$781,773
Claims Admin (Reclamation)	7.8	\$4,930
Creditor Meetings/Statutory Committees	1.6	\$1,548
Disclosure Statement / Voting Issues	216	\$118,794
Employee Matters (General)	90.6	\$58,588
Executory Contracts (Personalty)	5	\$2,376
Financing (DIP and Emergence)	2.2	\$1,375
Insurance	9.7	\$5,284
Leases (Real Property)	134.7	\$79,689
Liquidation/Feasibility	8	\$4,980
Litigation (General)	202.4	\$126,971
Nonworking Travel Time* *Billed at 50%.	94.2	\$48,236
Regulatory and SEC Matters	0.3	\$284
Reorganization Plan / Plan Sponsors	163.6	\$110,660
Retention / Fee Matters (SASM&F)	23.6	\$14,124
Secured Claims	42.2	\$20,868
Tax Matters	152.6	\$134,231
Utilities	134.4	\$70,164

Project Category	Total Hours	Total Fees
Vendors Matters	2.4	\$1,104
<b>TOTAL</b>	<b>3215.6</b>	<b>\$1,795,574</b>

**EXPENSE SUMMARY**  
**SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP**  
**AUGUST 1, 2009 - OCTOBER 31, 2009**

<b>Expense Category</b>	<b>Total Expenses</b>
Computer Legal Research	\$31,483
Telecommunications	\$1,403
Reproduction and Document Preparation	\$721
Outside Research	\$260
Travel	\$35,952
Courier, Express Carriers (e.g., Federal Express) and Postage	\$780
Electronic Document Management	\$444
Court reporting	\$3,580
<b>TOTAL</b>	<b>\$74,623</b>

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Counsel to the Debtors and  
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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
RICHMOND DIVISION

- - - - - x  
In re: : Chapter 11  
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CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)  
et al., :  
:  
Debtors. : Jointly Administered  
- - - - - x

**FOURTH INTERIM APPLICATION OF SKADDEN, ARPS,  
SLATE, MEAGHER & FLOM LLP FOR COMPENSATION FOR  
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES  
AS COUNSEL TO THE DEBTORS FOR THE PERIOD FROM  
AUGUST 1, 2009 THROUGH AND INCLUDING OCTOBER 31, 2009**

Skadden, Arps, Slate, Meagher & Flom LLP and  
its affiliated law offices (collectively, "Skadden,  
Arps"), counsel for the debtors and debtors in  
possession in the above-captioned cases (collectively,

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the "Debtors"),<sup>1</sup> submit this application seeking allowance of interim compensation and reimbursement of expenses under sections 330 and 331 of title 11 of the United States Code (the "Bankruptcy Code") for the period from August 1, 2009 through and including October 31, 2009 (the "Application Period"), and represent as follows:

#### **JURISDICTION**

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409.

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<sup>1</sup> The Debtors are the following entities: The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 330 and 331.

#### **BACKGROUND**

1. On November 10, 2008 (the "Petition Date"), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code.

2. On January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors' remaining stores. The going out of business sales concluded on or about March 8, 2009.

3. On September 29, 2009, the Debtors and the Creditors Committee filed the First Amended Joint Plan of Liquidation of Circuit City Stores, Inc. and its Affiliated Debtors and Debtors In Possession and its Official Committee of Creditors Holding General

Unsecured Claims (the "Plan"). The associated disclosure statement (the "Disclosure Statement") was approved on September 24, 2009. Confirmation of the Plan is currently scheduled for December 21, 2009, but will be adjourned to a date and time to be determined in the future.

4. Generally, the Plan provides for the liquidation of the Debtors under chapter 11 of the Bankruptcy Code.

#### **RETENTION OF SKADDEN, ARPS**

3. On November 20, 2008, the Debtors applied to the Court for an order authorizing them to retain Skadden, Arps pursuant to an engagement agreement dated September 1, 2008 (the "Engagement Agreement") as their bankruptcy counsel, effective as of the Petition Date, to provide the following professional services:

(a) advising the Debtors with respect to their powers and duties as debtors and debtors in possession in the continued management and operation of their businesses and properties;

(b) attending meetings and negotiating with representatives of creditors and other parties in interest and advising and consulting on the conduct of the cases, including all of the legal and Interim Compensation requirements of operating in chapter 11;

(c) taking all necessary action to protect and preserve the Debtors' estates, including the prosecution of actions on behalf of the Debtors' estates, the defense of any actions commenced against those estates, negotiations concerning litigation in which the Debtors may be involved and objections to claims filed against the estates;

(d) preparing, on behalf of the Debtors, motions, applications, answers, orders, reports, and papers necessary to the administration of the estates;

(e) preparing and negotiating on the Debtors' behalf plan(s) of reorganization, disclosure statement(s), and all related agreements and/or documents and taking any necessary action on behalf of the Debtors to obtain confirmation of such plan(s);

(f) advising the Debtors in connection with any sale of assets;

(g) performing other necessary legal services and providing other necessary legal advice to the Debtors in connection with these chapter 11 cases; and

(h) appearing before this Court, any appellate courts, and the United States Trustee and protecting the interests of the Debtors' estates before such courts and the United States Trustee.<sup>2</sup>

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<sup>2</sup> Information concerning the experience and standing at the bar of Skadden, Arps' senior attorneys on this engagement are described in the application and related materials filed by Skadden in support of its retention in these cases (the "Retention Application") (D.I. 287), which is incorporated herein by reference.

4. On December 8, 2008, the Court entered an order (the "Retention Order") authorizing the Debtors to employ Skadden, Arps as their counsel effective as of the Petition Date pursuant to the terms of the Engagement Agreement. A copy of the Retention Order is attached hereto as Exhibit A.

**INTERIM COMPENSATION**

5. On December 9, 2008, the Court entered an Order Under Bankruptcy Code Sections 105(a) and 331 Establishing Procedures for Interim Compensation (the "Interim Compensation Order"). A copy of the Interim Compensation Order is attached hereto as Exhibit B.

6. Pursuant to the terms of the Interim Compensation Order, if no objection is filed to a monthly fee application within twenty (20) days of the date of filing of that application, then the respective professionals may be paid eighty-five percent (85%) of the fees and one hundred percent (100%) of the expenses set forth in the applicable monthly fee application.

7. Every three (3) months beginning with the three-month period ending on January 31, 2009, all professionals, including Skadden, Arps, are required to

file interim fee applications for the prior three-month period. Thereafter, this Court schedules a hearing to consider such interim fee applications, including, payment of the 15% "holdback".

8. Pursuant to the Interim Compensation Order, Skadden, Arps has served each Monthly Fee Request, including time and expense detail on (i) Circuit City Stores, Inc., (ii) McGuireWoods LLP, (iii) the Office of the United States Trustee, and (iv) Pachulski Stang Ziehl & Jones LLP for each of the months in the Application Period (collectively, the "Notice Parties").

9. On October 8, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$611,026, consisting of \$585,033 for professional fees and \$25,993 for expenses relating to the period from August 1, 2009 through and including August 31, 2009. Pursuant to the Interim Compensation Order, the Notice Parties had twenty days to object to such Monthly Fee Request. The 20-day period for objections expired on October 28, 2009 without any objections. At that time, Skadden, Arps was entitled to payment of 85% of the requested professional

fees and 100% of requested expenses, in the aggregate amount of \$523,271.

10. On November 2, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$630,249, consisting of \$607,322 for professional fees and \$22,927 for expenses relating to the period from September 1, 2009 through and including September 31, 2009. Pursuant to the Interim Compensation Order, the Notice Parties had twenty days to object to such Monthly Fee Request. The 20 day period for objections expired on November 23, 2009 without any objections. At that time, Skadden, Arps was paid 85% of the requested professional fees and 100% of requested expenses, in the aggregate amount of \$539,151.

11. On December 8, 2009, Skadden, Arps served its Monthly Fee Request in the amount of \$634,015, consisting of \$608,312 for professional fees and \$25,703 for expenses relating to the period from October 1, 2009 through and including October 31, 2009. Pursuant to the Interim Compensation Order, the Notice Parties have twenty days to object to such Monthly Fee request. The 20 day period for objections expires on December 28,

2009. At that time, assuming no objections, Skadden, Arps will be entitled to payment of 85% of the requested professional fees and 100% of requested expenses, in the aggregate amount of \$542,748.

12. Pursuant to the Interim Compensation Order, Skadden, Arps is filing this interim fee application (the "Application") for compensation for professional services rendered and reimbursement of disbursements made in these cases during the Application Period.

**RELIEF REQUESTED**

13. By this Application, Skadden, Arps requests approval and payment of interim compensation and reimbursement of expenses pursuant to Bankruptcy Code sections 330 and 331 for the Application Period. Attached as Exhibit C are copies of Skadden, Arps' fee statements (the "Statements") reflecting professional services rendered for which compensation is sought and actual disbursements for which reimbursement is sought during the Application Period.

14. At this time, Skadden, Arps is seeking allowance of compensation equal to \$1,795,574 in fees



for professional services rendered by Skadden, Arps during the Application Period as counsel to the Debtors in these chapter 11 cases. This amount is derived solely from the applicable hourly billing rates of the firm's personnel who rendered such services to the Debtors. Of this amount, Skadden, Arps has already been paid \$1,013,502 and expects to be paid (assuming no objection) an additional \$517,065 -- eighty-five percent (85%) of fees billed from October 1 - October 31, 2009 - pursuant to the Interim Compensation Order. In addition to the foregoing amount, through this Application, Skadden, Arps requests payment of \$270,100, representing the aggregate fifteen percent (15%) hold-back of fees billed, but withheld, during the Application Period.

15. Skadden, Arps also requests allowance of reimbursement of one hundred percent (100%) of the actual and necessary out-of-pocket disbursements and charges incurred in the Application Period, equal to \$74,623.

16. The fees and disbursements sought through this Application Period reflect total client

accommodations of \$140,480.<sup>3</sup> In the event that any objections to this Application are filed, Skadden, Arps reserves the right to seek payment for all or any part of the client accommodations.

17. This Application is made without prejudice to the firm's right to seek further interim allowances and/or a final allowance of compensation in the future in accordance with the Retention Order and the Interim Compensation Order.

18. Skadden, Arps has received no promise of payment for professional services rendered or to be rendered in these cases other than in accordance with the provisions of the Bankruptcy Code.

#### **BASIS FOR RELIEF**

19. It is not practical to describe every phone call made, meeting attended, document generated, or other service provided in the Debtors' cases during the Application Period. Thus, this Application

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<sup>3</sup> Upon preparation of this Application, Skadden, Arps provided the Debtors with an additional accommodation in the amount of \$5,093 on account of professionals billing five (5) hours or fewer during the Application Period. This amount will be credited to the Debtors in connection with Skadden, Arps' December fee request.

highlights the most significant services performed by Skadden, Arps for the Debtors during the Application Period and the attached time records contain the detail of each task performed.

20. Skadden, Arps submits that the legal services and advice that it rendered to the Debtors in connection with their chapter 11 cases during the Application Period were necessary and beneficial to the Debtors, their estates and their creditors.

21. As discussed in greater detail below, generally during this Application Period, Skadden, Arps professionals continued to assist the Debtors comprehensive review of claims filed against their estates and, in particular, identified grounds for objecting to thousands of the claims and presented the legal bases for the objections for the Court's consideration. Skadden, Arps also finalized the Plan and obtained approval of the Disclosure Statement. Moreover, Skadden, Arps continued to handle various existing and potential litigation. Finally, Skadden, Arps continued to guide the Debtors as they wound down relationships with landlords, taxing authorities,

utility providers and customers, among others, as a result of their liquidation.

22. During the Application Period, attorneys and paraprofessionals of Skadden, Arps devoted a total of 3215.6 hours to representation of the Debtors. Of the aggregate time expended, 315.7 hours were spent by partners, 20.6 hours were spent by counsel, 2699.4 hours were spent by associates, and 179.9 hours were spent by paraprofessionals. Schedules showing the name and position of each such partner, counsel, associate, and paraprofessional, hours worked during the Application Period, and hourly billing rate are provided at the front of this Application. Skadden, Arps' attorneys, paraprofessionals, and support staff billed their services in this case to numerous matters corresponding to particular activities in the case. Exhibit D provides the detail by matter of the time billed for such services.

23. Set forth on Exhibit E attached hereto are the detailed expense charges incurred during the Application Period by matter number.

**DESCRIPTION OF SERVICES RENDERED**

24. The following description of Skadden, Arps' services is a summary of the matters that occupied substantial amounts of time during the Application Period.

**I. MATTER OVER \$500,000 - CLAIMS ADMINISTRATION**

25. During the Application Period, Skadden, Arps professionals devoted nearly half of their total time to claim administration issues, with a total time value of \$781,773. As a result of these efforts, Skadden, Arps professionals assisted the Debtors by filing thirty omnibus objections to thousands of claims, seeking disallowance, reclassification and/or reduction in amount. By these objections, Skadden, Arps professionals assisted the Debtors in reducing the overall liability against their estates by hundreds of millions of dollars, which inures directly to the benefit of creditors holding valid claims against the Debtors' estates.

26. The filing of omnibus objections required Skadden, Arps to engage in a detailed claim reviews with the Debtors and their other advisors. During this

review process, Skadden, Arps professionals identified legal grounds for objecting to the thousands of claims and then prepared pleadings and exhibits to be filed with the Court. Once the omnibus objections were filed, Skadden, Arps fielded inquiries from creditors with various questions related to their claims and the objections. In addition, Skadden, Arps defended the objections against responses filed by many of these claimants, often involving additional briefing.

27. Perhaps most significantly, Skadden, Arps professionals objected to claims under recently enacted section 503(b)(9) on a number of grounds, each requiring significant legal research, analysis and briefing. In particular, Skadden, Arps prepared objections to 503(b)(9) claims filed by, among others, utilities and other service providers on the basis that such claimants did not provide "goods" to the Debtors. In addition, Skadden, Arps prepared objections to various administrative and 503(b)(9) claims pursuant to which the Debtors sought to reduce such claims on account of the Debtors' setoff rights. And, Skadden, Arps prepared objections to certain 503(b)(9) claims and sought to

temporarily disallow such claims under Bankruptcy Code section 502(d). Finally, Skadden, Arps prepared objections to other 503(b)(9) claims on the basis that the goods supporting the claims were not "received" within 20 days of the Petition Date or were not "sold" to the Debtors.

28. In addition to efforts surrounding claims objections, the Debtors worked to settle certain claims rather than engage in costly and uncertain litigation. As part of this process, Skadden, Arps professionals worked closely with the Debtors to review contracts and reconcile accounts to prepare for negotiations with various claimants. Skadden, Arps professionals also drafted and reviewed settlement agreements and, upon securing an agreement in the Debtors' best interests, drafted stipulations and, if necessary, 9019 motions for court approval of these various claims settlements. Among others, the Debtors settled certain large and complex claims of Pension Benefit Guaranty Corporation, Assurant, General Electric and The Warranty Group, IBM and Verizon.

29. In all, during the Application Period, Skadden, Arps professionals devoted a total of 1512.3 hours to claims administration matters for which compensation is sought, with a total time value of \$781,773.

**II. MATTERS OVER \$100,000**

30. During the Application Period, Skadden, Arps professionals devoted significant time to other key matters, the time value of which exceeds \$100,000 for each. These matters are as follows:

**A. Tax Matters**  
**(Amount Sought: \$139,206)**

31. During the Application Period, the Debtors requested that Skadden, Arps assist with certain tax matters about which other professionals previously advised the Debtors. These matters related to IRS tax refunds on account of sale/leaseback transactions the Debtors had engaged in for certain real property prior to the Petition Date.

32. To advise the Debtors in connection with such IRS matters, Skadden, Arps professionals reviewed significant amounts of historical data spanning the past



seven years. As a result of recent developments with the IRS, the Debtors found themselves confronted with immediate and unforeseen deadlines that required Skadden, Arps to work on an extremely expedited basis.

33. As such, Skadden, Arps professionals devoted a total of 152.6 hours to tax matters during the Application Period for which compensation is sought, with a total time value of \$139,206.

**B. Litigation**  
**(Amount Sought: \$126,971)**

34. During the Application Period, Skadden, Arps both continued to manage litigation initiated against the Debtors and prepared to initiate proceedings on behalf of the Debtors against certain parties in interest.

35. With respect to litigation initiated prior to the Application Period, most of which by or on behalf of the Debtors' former employees, Skadden, Arps worked with opposing counsel and government entities to limit the Debtors' exposure to such litigation. Among other things, Skadden, Arps professionals prepared motions to quash subpoenas and other discovery requests,

and negotiated to resolve many preliminary matters. Skadden, Arps professionals also drafted settlement proposals and reviewed those offered by the adverse parties in these litigation matters.

36. In addition, Skadden, Arps professionals worked with the Debtors and their advisors to identify parties against whom they might have claims. This included, primarily, vendors with outstanding receivables and vendors who received avoidable transfers. Skadden, Arps professionals evaluated and otherwise assessed not only the Debtors' books and records, but also various defenses these vendors might have were the Debtors to initiate formal proceedings. Based on these evaluations, Skadden, Arps sent demand letters to certain vendors and reviewed responses thereto.

37. During the Application Period, Skadden, Arps professionals devoted a total of 202.4 hours to matters pertaining to ongoing and potential litigation initiated against and on behalf of the Debtors, with a total time value of \$126,971.

**C. Disclosure Statement/Voting Issues  
(Amount Sought: \$118,794)**

38. With the assistance of Skadden, Arps, during the Application Period, the Debtors filed and obtained approval of their Disclosure Statement and Solicitation Procedures. As part of this process, the Skadden, Arps negotiated with counsel to the Creditors' Committee and finalized all necessary documents prior to filing. Moreover, Skadden, Arps worked with the Creditors' Committee and objecting parties in attempt to reach consensual resolutions to their objections.

39. In addition, Skadden, Arps negotiated and finalized procedures for solicitation of votes on the Plan. In doing so, Skadden, Arps professionals reviewed claims to determine the accuracy of such claims for voting purposes. Then, once the solicitation procedures were approved, Skadden, Arps worked with the Debtors' claims and servicing agent to ensure all of the solicitation packages were prepared and mailed in accordance with the Solicitation Procedures Order.

40. In all, Skadden, Arps professionals devoted 216 hours to preparing, reviewing and revising

the Disclosure Statement and solicitation materials, with a total time value of \$118,794.

**D. Reorganization Plan/Plan Sponsors  
(Amount Sought: \$110,660)**

41. During the Application Period, Skadden, Arps also prepared, reviewed and revised the Plan.

42. In particular, Skadden, Arps worked closely with the Debtors, their advisors and the Creditors' Committee to arrive at a consensual plan of liquidation. Negotiations concerning the Plan included, among other matters, substantive consolidation.

43. Professionals at Skadden, Arps devoted 163.6 hours to proposing and negotiating the Plan for which compensation is sought, with a total time value of \$110,660.

**III. MATTERS OVER \$50,000**

44. Skadden, Arps professionals devoted time to certain other matters, the time value of which exceeds \$50,000 during the Application Period. These matters are as follows:

**A. Case Administration**  
**(Amount Sought: \$79,704)**

45. During the Application Period, professionals at Skadden, Arps continued to manage the Debtors' bankruptcy cases so that the cases proceeded as efficiently and as advantageously as possible for the Debtors, their estates and their creditors.

46. In doing so, Skadden, Arps professionals spent considerable time preparing for and attending teleconferences, on-site client meetings and omnibus hearings, each dealing with numerous matters.

47. Skadden, Arps devoted 184.7 hours during the Application Period to case administration for which compensation is sought, with a total time value of \$79,704.

**B. Leases (Real Property)**  
**(Amount Sought: \$79,689)**

48. Though the Debtors had rejected or assumed and assigned all of their real property leases, the Debtors required significant assistance from Skadden, Arps professionals during the Application Period to deal with the consequences of such dispositions.

49. Primarily, Skadden, Arps professionals fielded inquiries and requests from the Debtors' landlords seeking to reconcile their books and records with those of the Debtors. In many cases, Skadden, Arps provided the landlords with pleadings from the bankruptcy cases as an official record of a lease's disposition, or worked with the Debtors and their landlords to draft documents memorializing these dispositions.

50. Also, Skadden, Arps professionals began to assess the validity of the administrative claims asserted on account of real property leases. And, Skadden, Arps professionals continued to work to resolve outstanding motions for payment of administrative expenses.

51. During the Application Period, Skadden, Arps professionals devoted a total of 134.7 hours to real property lease matters for which compensation is sought, with a total time value of \$79,689.

**C. Utilities**  
**(Amount Sought: \$70,164)**

52. Since the Debtors had ceased nearly all operations requiring utility service, Skadden, Arps professionals facilitated the winddown of the Debtors' utility accounts during the Application Period.

53. Most notably, Skadden, Arps worked to terminate the Utility Blocked Account established at the inception of the Debtors' bankruptcy. As part of this process, Skadden, Arps professionals sought and obtained approval of procedures to terminate the Utility Blocked Account in an orderly fashion that also preserved the rights of utility providers regarding charges that may have been outstanding. Then, Skadden, Arps reviewed final demands asserted against the Utility Blocked Account pursuant to these procedures, determining the validity of the charges.

54. By terminating the Account, the Debtors were able to obtain the return of approximately \$3 million for distribution to their creditors.

55. Skadden, Arps professionals spent a total of 134.4 hours winding down the Debtors' utility

accounts and related issues for which compensation is sought, with a time value of \$70,164.

**D. Asset Dispositions (General)**  
**(Amount Sought: \$63,015)**

56. During the Application Period, the Debtors and their professionals continued to market the remaining assets of their estates. Among these assets were certain miscellaneous intellectual property assets, large quantities of paper, and litigation rights.

57. The bulk of the efforts of Skadden, Arps involved the auction and sale of various intellectual property assets, including domain names, trademarks, customer data and a trading exchange. Skadden, Arps professionals negotiated with over a dozen different bidders for different combinations of these assets and, ultimately, packaged and divided the assets between four purchasers. Moreover, Skadden, Arps professionals worked with the bidders, the ultimate purchasers and the Consumer Privacy Ombudsman to address any concerns about the sale and use of protected customer data.

58. During the Application Period, Skadden, Arps professionals devoted a total of 113.2 hours to



general asset disposition matters for which compensation is sought, with a total time value of \$63,015.

**E. Employee Matters**  
**(Amount Sought: \$58,588)**

59. Matters involving the Debtors' current and former employees began to subside during the Application Period. Skadden, Arps, however, focused on pending employee-related litigation. In particular, during the Application Period, the Debtors moved for dismissal of the amended WARN Act complaint and addressed other matters, including factual analysis, related to such litigation.

60. During the Application Period, 90.6 hours were spent on such employee matters for which compensation is sought, with a time value of \$58,588.

**IV. MATTERS OVER \$10,000**

61. Certain other matters required the attention of Skadden, Arps during the Application Period, the time value of which exceeds \$10,000 for each. These matters are as follows:

**A. Nonworking Travel Time**  
**(Amount Sought: \$48,236)**

62. During the Application Period, the Debtors had five omnibus hearings, four asset auctions and almost weekly meetings with the Debtors' management and other advisers. Accordingly, Skadden, Arps professionals traveled to lead and otherwise participate in such hearings, auctions, and meetings.

63. Non-working travel time constituted 94.2 hours for which compensation is sought, with a time value of \$48,236, representing fifty percent (50%) of the total time value.

**B. Asset Dispositions (Real Property)**  
**(Amount Sought: \$30,481)**

64. During the Application Period, the Debtors sold four parcels of real property. To facilitate this process, professionals at Skadden, Arps negotiated stalking horse purchase agreements, drafted bidding procedures and conducted auctions, and obtained court approval of the sales. Additionally, Skadden, Arps professionals resolved objections to certain of the sales.

65. Skadden, Arps professionals devoted 56.8 hours to dispositions of the Debtors' real property for which compensation is sought, with a time value of \$40,481.

**C. Asset Analysis and Recovery  
(Amount Sought: \$26,162)**

66. During the Application Period, Skadden, Arps professionals reviewed the Debtors' contracts and books and records to identify where the Debtors might recover assets for the benefit of their estates. Perhaps most notably, Skadden, Arps professionals undertook a comprehensive review of payments made to by the Debtors in the 90 days preceding the Petition Date, in anticipation of preference litigation and claims objections. In other instances, Skadden, Arps professionals evaluated particular contracts of the Debtors in anticipation of litigation or as part of determining the Debtors' settlement prospects.

67. During the Application Period, Skadden, Arps professionals worked 40 hours on asset analysis and recovery for which compensation is sought, with a time value of \$26,162.

**D. Secured Claims**  
**(Amount Sought: \$20,868)**

68. During the Application Period, Skadden, Arps attempted to secure the cancellation of the Debtors surety bonds associated with utility services, taxes and other state statutory obligations. As part of their efforts, Skadden, Arps professionals worked with the Debtors and Safeco, the surety for such bonds, to establish and seek court approval of bond rejection and cancellation procedures.

69. During the Application Period, 42.2 hours were spent working on these and related matters, for which compensation is sought, with a time value of \$20,868.

**E. Retention/Fee Matters (Skadden)**  
**(Amount Sought: \$14,124)**

70. During the Application Period, Skadden, Arps professionals prepared the firm's third interim fee application and three monthly statements. Additionally, Skadden, Arps undertook additional connection and relationship searches and reviews for the purposes of disclosures in accordance with the Bankruptcy Code.

71. During the Application Period, 23.6 hours were spent on these issues for which compensation is sought with a time value of \$14,124.

**V. MATTERS UNDER 10,000**

72. Finally, Skadden, Arps devoted time to other matters for the Debtors, the time value of which is less than \$10,000 for each matter. These matters included providing general corporate advice, evaluating and finalizing the liquidation and feasibility analyses, updating and otherwise addressing matters raised by the official committee of unsecured creditors, responding to stay relief requests, addressing miscellaneous matters related to debtor-in-possession financing, and addressing regulatory and SEC, insurance, executory contracts, vendor, and reclamation claims and trust fund matters. Skadden, Arps devoted a total of 54.3 hours to these matters and seeks compensation in the aggregate amount of \$32,114.

**ALLOWANCE OF COMPENSATION**

73. **Compensation Sought.** Because of the benefits realized by the Debtors, the nature of these cases, the standing at the bar of the attorneys who

rendered services, the amount of work done, the time consumed, the skill required, and the contingent nature of the compensation, Skadden, Arps requests that it be allowed at this time all compensation for the professional services rendered during the Application Period. Additionally, Skadden, Arps seeks payment of the remaining fifteen percent (15%) of the of the value of professional services rendered during the Application Period totaling \$270,100.

74. Skadden, Arps achieved cost efficiencies by employing a streamlined case management structure. Instead of assigning various attorneys to the myriad of tasks that arose during these cases, Skadden, Arps designated a core group of associates who were assigned responsibility for specific matters and types of matters. This (i) allowed some attorneys to work almost exclusively on discrete matters in the Debtors' cases, (ii) permitted the case to be staffed with as little partner involvement as appropriate, and (iii) enabled Skadden, Arps to avoid performing duplicative or unnecessary work.

75. **Reimbursement of Expenses.** Skadden, Arps has disbursed, and requests allowance reimbursement for \$74,623, which represents actual, necessary expenses incurred in the rendition of professional services in these cases.

76. **Compensation Sharing Disclosure.** Other than between Skadden, Arps and its affiliated law practices and their members, no agreement or understanding exists between Skadden, Arps and any other person or persons for the sharing of compensation received or to be received for professional services rendered in or in connection with these cases, nor will any be made except as permitted pursuant to Bankruptcy Code section 504(b)(1).

77. **Reservation of Rights.** Skadden, Arps reserves the right to return to this Court seeking reimbursement for amounts related to work performed or expenses incurred during the Application Period but not yet reflected in the firm's time records or to amend the amounts listed herein to correct any bookkeeping errors. In the event that a subsequent review reveals that additional professional services have been rendered or

expenses have been incurred on behalf of the Debtors during the Application Period, which were not processed by the firm's accounting system before the time of this Application, Skadden, Arps reserves the right to seek such additional fees and expenses by subsequent application to the Court.<sup>4</sup>

WHEREFORE, Skadden, Arps respectfully requests entry of an order (a) approving interim compensation for professional services rendered as attorneys for the Debtors in the sum of \$1,795,574, which is equal to one hundred percent (100%) of fees incurred during the Application Period; (b) authorizing payment of \$270,100 as fifteen percent (15%) of fees held back;

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<sup>4</sup> Skadden, Arps further reserves the right to request additional compensation at a later date for time spent preparing this interim fee application.



(c) approving of reimbursement of actual and necessary expenses in the sum of \$74,623; and (d) granting such other and further relief as is just and proper.

Dated: December 15, 2009

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Counsel to the Debtors and Debtors in  
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**EXHIBIT A**

**(Retention Order)**

**EXHIBIT B**

**(Interim Compensation Order)**

**EXHIBIT C**

**(Statements)**

**EXHIBIT D**

**(Detail of Time Billed)**

**EXHIBIT E**

**(Detail of Expenses)**